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**K-12 EDUCATION AGENDA**

**April, 24, 2002**

**1:30 p.m. — Room 2040**

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### **I. Proposition 98 Update**

The Governor's 2002-03 January 10, Budget proposes \$46.0 billion in total (K-14) Proposition 98 spending, a \$1.0 billion (2.2 percent) increase over that provided in the adjusted 2001-02 Budget Act. The budgeted amount, is estimated to fully fund Proposition 98 at the statutorily required minimum "Test 2" level. The proposed K-12 portion of the Proposition 98 minimum guarantee is \$41.2 billion, an increase of \$1.2 billion or \$136 per pupil (2 percent) more than the revised estimate of per-pupil expenditures for 2001-02. In 2002-03, average per-pupil Proposition 98 funding is estimated to be \$7,058. (Combined funding from local, state and federal sources brings the per pupil total to \$9,236).

- A. Background.** Proposition 98, a constitutional amendment passed by the voters in 1988 and amended by Proposition 111, established a minimum funding level for K-12 schools and Community Colleges. Funding from the formula established in Proposition 98 also supports direct educational services provided by other agencies such as the state's Special Schools for the Deaf and Blind and the California Youth Authority.

Proposition 98 funding is generally calculated as the greater of:

- Test 1 – a specified percent (approximately 34.5 percent) of state General Fund revenues.
- Tests 2 and 3 – The amount provided in the prior-year adjusted for K-12 ADA growth and an inflation factor. For "Test 2," this inflation factor is the percentage change in per-capita personal income. For "Test 3" the inflation factor is equal to the annual percentage change in per-capita state General Fund revenues plus 0.5 percent--used only when it calculates a guarantee that is less than that determined by "Test 2."

**Note: Proposition 98 also includes a provision allowing the state to suspend the minimum funding level for one year through urgency legislation other than the Budget Bill).**

The Governor's budget is based on the assumption that 2002-03 is a "Test 2" year and it fully funds the Proposition 98 minimum according to the Administration's preliminary estimates of the factors that determine that minimum. By contrast, the 2001-02 fiscal year was a "Test 3" year. Adjusted for the additional 2001-02 Budget Act reductions enacted in January, Proposition 98 was ultimately funded at a level that was \$5.7 billion above the 2001-02 "Test 3" minimum guarantee, but \$1.9 billion below the "Test 2" calculation for that year. This \$1.9 billion "maintenance factor," as required by statute, has been restored in the Governor's proposed 2002-03 budget.

- B. The General Fund** makes up approximately 68.2 percent, or \$31.4 billion, of the Governor's total estimated Proposition 98 minimum guarantee. (An estimated \$14.6 billion from local property tax revenues make up the remaining 31.8 percent). The Governor's estimated \$1.0 billion increase in the total Proposition 98 minimum guarantee results from restoration of the full \$1.9 billion 2001-02 Test 3 "maintenance factor" and a combination of estimated statewide ADA growth (1.07 percent); property tax revenues (\$14.6 billion); and the "Test 2" inflation factor (annual change in California per-capita personal income). Based on the Legislative Analyst's Office (LAO) initial projections, however, the General Fund portion of the Proposition 98 minimum guarantee was estimated to be approximately \$715 million higher than that estimated by the Administration. The disparity between their respective Prop 98 "Test 2" minimum guarantee estimates is attributed to their conflicting projections of the inflation factor, or growth in per-capita personal income. The Department of Finance (DOF) assumed less optimistic growth in per-capita personal income (negative 3 percent) than that assumed by the Legislative Analyst's Office (negative 1.5 percent). Existing law relative to Proposition 98 requires the use of a federal personal

income index to determine this Proposition 98 factor. This index was just released on April 23<sup>rd</sup>. Though not yet official, the new personal income growth estimate for California translates into a per capita change of minus 1.26 per cent. It further translates into a 2002-03 Proposition 98 minimum guarantee that is \$830 million above the Governor's estimate (and \$115 million above the LAO's original \$ 715 million estimate).

**The LAO has developed several legislative options for meeting any increase (above the Administration's estimate) in the Proposition 98 minimum guarantee:**

**1. Additional Current-Year (2001-02) One-Time General Fund Savings.**

- a. Reductions.** According to the LAO, current-year reductions in addition to those already enacted in the Third Extraordinary Session are possible because the current year appropriation level for Proposition 98 programs remains well above the minimum "Test 3" minimum funding level required for 2001-02. In addition, the LAO opines that the additional recommended reductions can be implemented with little impact on educational services to public school or community college students:

Table 1  
LAO Options for Current-Year General Fund Savings  
(Proposition 98)  
2001-02 (In Millions)

Program	Amount
Governor's performance awards	\$144.3
Support for secondary schools reading	8.0
Charter school facility grants	5.0
Reading Award Program	4.0
<b>Total</b>	<b>\$161.3</b>

- b. Substitute Proposition 98 Reversion Account funds for Current Year General Funds.** The Governor's 2002-03 budget estimates that the Proposition 98 Reversion Account—into which unspent funds from prior Proposition 98 appropriations are reverted—currently contains \$535 million available for expenditure. While the Governor's 2002-03 budget proposes spending the entire amount on various proposals as indicated below, the Legislature, according to the LAO, could defer approval of all the reversion account proposals and instead substitute these one-time budget year funds for an equal amount of programs funded by Proposition 98 appropriations in the current year. Since Proposition 98 spending in the current year is significantly above the required "Test 3" minimum, the Proposition 98 General Funds "saved" by this action could be carried over into the budget year and used for one-time purposes.

<b>Proposed 2002-03 Proposition 98 Reversion Account Expenditures</b> <i>(in millions)</i>	
Textbook Block Grant	\$200.0
School/ Classroom Library Block Grant	100.0
Math and Reading Professional Development	87.1
Science Lab Materials and Equipment	75.0
Community Colleges scheduled maintenance	22.9
Community Colleges Equipment	22.9
California School Information Services (CSIS)	11.0
Principal Training	7.5
CSIS / Fiscal Crisis Management Assistance Team	4.5
High Tech High Schools	4.0
<b>Total</b>	<b>\$534.8</b>

To the extent the Legislature decides to exercise the option of using any or all of the reversion account funds for current-year savings and there is an increase in the Proposition 98 minimum guarantee funding level, the most meritorious of the Governor's reversion account proposals could be restored.

(NOTE: Both current-year options (a) and (b) would require the Legislature to enact urgency legislation that is signed by the Governor by June 30, 2002; the end of the 2001-02 fiscal year. After that date, the 2001-02 level of appropriations would be "set" for the purposes of Proposition 98 and not subject to further adjustment).

2. **Budget Year Savings Options:** Move Non-98 Education Expenditures into Proposition 98. In the event the Proposition 98 minimum guarantee is increased beyond that level estimated and funded by the Governor's proposed budget, the LAO suggests, as an option, that the Legislature "move" certain non-Proposition 98 expenditures into the guarantee (allocating budgeted funds to school districts) and, thereby, helping meet the increased requirement at no additional General Fund cost. Options include:
  - a. **U.C. Professional Development Institutes.** Allocate budgeted funds (\$141 million) to school districts. The districts, in turn, could contract for services with UC or use other teacher training providers.
  - b. **Child Care.** Replace TANF spending on CalWORKs childcare with Proposition 98 funds. The resulting TANF savings (up to \$770 million) could replace General Fund spending in other components of the CalWORKs program. However, to the extent the Proposition 98 minimum guarantee does not increase in May, exercising this option would come at a cost to other K-14 educational programs proposed in the Governor's 2002-03 budget.
  - c. **Early Start Program.** Enact Legislation to authorizing program expenditures--\$45 million in 2002-03 to be counted towards Proposition 98. This program, jointly administered by the Department of Development services and CDE, provides early intervention services to children under age three who have disabilities or are at risk of disabilities.
3. **Meeting Additional K-14 Spending Needs.** An increase in the Proposition 98 minimum guarantee would also afford the Legislature the option of funding those education priorities not included in the Governor's proposed budget. These could include restoring funding for revenue limit equalization (\$42 million) and for the reduction of the Public Employees' Retirement System (PERS) revenue limit "offset" (\$36 million); both of which would increase general purpose or "discretionary" funding for school districts. (See discussion in this agenda under IV. Discretionary Funds).
- C. **K-12 and Community College "Split."** Accounting for the "November Revision" education reductions, the Proposition 98 "split" between K-12 Education and Community Colleges for 2002-03 is 89.8 percent (K-12) and 10.2 percent (Community Colleges). This is the same split as in 2001-02. Current law (Education Code Section 41203) calls for a Proposition 98 funding split, between K-12 and Community Colleges, of approximately 89 percent versus 11 percent. This statutory "split" has been suspended by the Legislature in each of the past 10 Budget Acts to reflect actual spending percentages.

## **II. State Operations, OSE**

The Secretary of Education, a member of the Governor's Cabinet, is responsible for advising the Governor and making recommendations on state education policy and legislation. The Office of the Secretary for Education (OSE) administers several education programs, including the Academic Volunteer and Mentor Service Program, the Governor's Reading Award Program, READ California, and the Education Technology Grant Program.

**A. State Operations.** The Governor's budget proposes \$1.25 million for support of the Office of the Secretary for Education (OSE) in Item 0558-001-0001. This amount is an estimate of the funding needs for the OSE from January 1, 2003 to June 30, 2003. The Governor's budget also proposes \$1.16 million for support of the OSE in Item 0650-011-0001. This amount is the estimated cost of supporting the OSE from July 1, 2002 to December 31, 2002. The latter funds are included in the Office of Planning and Research pending enactment of legislation establishing an Education Agency. The support funding proposed in the Governor's budget represents a \$6.9 million reduction in OSE state operations, a 74 percent decrease from 2001-02. This includes a reduction of two Associate Intergovernmental Program Analysts, representing a 7 percent decrease in OSE personnel, \$3.0 million in one-time funds for contracting to develop and validate research-based school readiness assessment instruments for the School Readiness Initiative in cooperation with the Children and Families (Proposition 10) Commission, and \$3.8 million for the READ California public involvement campaign to promote reading.

### **B. Local Assistance**

- 1. Education Technology Grant Program.** The Governor's budget proposes a reduction of \$550,000 from this program which was established by Chapter 78 Statutes of 2000 (AB 2882, Reyes), and funded with \$175.0 million in one-time funds in the 2000-01 Budget Act. This reduction represents the balance of unallocated funds from the appropriation. The appropriation was to have provided one-time grants to school districts and charter schools for the acquisition of computers for classrooms and for access to on-line advanced placement courses.
- 2. School to Career Technology Grant Program.** The Governor's budget proposes a reduction of \$440,000 from this program. This reduction represents the expenditure in 2001-02 of the remaining, original \$2.0 million for this program established by Chapter 793, Statutes of 2000 (AB 1873, (Wiggins).
- 3. Academic Volunteer and Mentor Service Program.** The Governor's budget proposes \$10.0 million Proposition 98 General Fund to maintain funding for this program at the level provided the 2001-02 Budget Act. Under this program, university students offer tutoring services to 20,000 at-risk children and youth. This program, established by Chapter 901, Statutes of 1992 (SB 1114, Leonard), which funds local projects to recruit, screen, train and place volunteers who want to act as mentors to students. Each year, three-year grants of up to \$100,000 are awarded on a competitive basis to over 145 local mentor programs operated by school districts and county offices of education. As the three-year grants expire, funding from these grants becomes available to support new program sites.

Taking issue with past proposals to expand this program beyond the \$10.0 million base, the LAO had raised the arguments that 1. other state and federal mentor programs already exist and 2. There is a lack of conclusive evidence of the program's effectiveness.

The Subcommittee may also wish to consider continuing budget bill language included in this item in 2001-02 that “\$500,000” (or some lesser or greater amount), of the \$10.0 million be prioritized for mentoring programs targeted at youth in foster care placement.

***Subcommittee #1 Action:***

**III.State Operations, CDE**

In a series of letters from the Superintendent of Public Instruction to the Administration, the Department of Education has made a number of requests to address it’s state operations needs. In light of an increased workload, additional responsibilities and the administration implications of the receipt of a significant increase in new federal funds, in part due to the newly reauthorized ESEA. No Child Left Behind Act of 2001, the SPI has outlined the following state support needs:

<b>General Fund</b>	
Independent verification consultant(s) for CSIS independent project oversight	\$150,000
Independent Evaluation of the Advanced Placement Challenge Program	500,000
CDE Legal Office Staffing: 5 additional staff attorneys	661,000
Administration funding (restore) for the College Preparation Partnership Program	83,000
Monitoring and close out activities for Federal school-to-work program— extend three limited term positions.	324,024
Restore portion of Governor’s East End Project rent reduction proposal	886,010
Existing lease obligations due to expedited move to East End Project	4,555,155
Principal Apportionment System Rewrite 2001-02 carryover funds	658,666
High Priority Schools Grant Program (to attain full year funding)	494,000
California School Information Services (CSIS) 1 position	118,000
CSIS reauthorization of limited term position	63,000
San Francisco Unified School District Interagency Agreement— desegregation activities (reimbursement authority)	57,027
Oversight of SBE Approved Charter Schools \$130,000 reimbursement authority; \$71,000 for one of two requested new positions	130,000 71,000
CalSAFE Support permanent authorization for limited term position	87,000
<i>Chapman, et. al v. CDE</i> U.S. District Court Case--Attorney General’s Office	536,000
State Board of Education Meeting Minutes	34,000
Data Management Study of the CDE \$275,000 for 3 positions to support and implement state functions associated with comprehensive data management and Develop a Data Management Framework Implementation plan; \$725,000 set aside for systematic work to implement the plan’s recommendations.	1,000,000

<b>Federal Funds</b>	
<b><u>NCLB Act of 2001</u></b>	
Title I Reading First Program 13 positions 6 re-directed; 7 new	2,274,000
Title I Policy and Partnership Office 4 positions	796,000
Title III English Learner Programs	4,184,000
Title IV 21 <sup>st</sup> Century Community Learning Centers Grant Program	2,070,000
High School Leadership Division: Assist regional centers in assisting Low Performing/High Priority schools	1,450,000
NCLB Data Management for ESEA	777,000
School Fiscal Services increased workload to provide fiscal services to NCLB programs	201,000
Quality Teacher Program (per Title II) Regional infrastructure for professional development	558,000
Math and Science Partnerships :technical support, professional development	416,000
Reading First, professional development, upper grades students	352,000
“No Child Left Behind” Uniform Management Information and Reporting System	359,000
ESEA Title V funds: Smaller Learning Communities Grant for Low Performing High Schools	202,000
Audits and Investigations. Increased workload under NCLB Act 3 positions	281,000
Counseling and School Support to assist under performing students and low performing schools. 1 position and a contract to technical assistance network	250,000
Title I and Title II Administrator Support Program	377,000
Assessment and Accountability System 19 positions	14,585,000
Accounting services associated with expansion of ESEA 2 positions	150,000
Title V Innovative Programs 1 position	213,334
Title II New Paraprofessional Standards	1,460,000
Information Technology Support: new/enhanced programs under NCLB 3 positions	309,000
Title I NCLB, Homeless Education (McKinney-Vento Homeless Assistance Act)	183,000
NCLB Rural and Low-Income Schools 1 position	112,000
NCLB Community Services for Expelled or Suspended Students	334,000
State Interventions and Sanctions for Low Performing Schools	371,000
<i>Comité de Padres v. SPI</i> , SBE compliance with court order 15 positions	1,500,000
Even Start Literacy Program 3 positions to support administration/ implementation	1,382,000
Enhancing Education Through Technology: 5 new; 1 reauthorized position(s)	867,000
California Healthy Kids Survey	900,000
<b><u>Other Federal Funds</u></b>	
Special Education-operating expenses to meet federal IDEA and state mandates	\$2,400,000
New School Renovation Program—Education Technology Office: AGPA \$96,000-CDE	302,000
Legal workload associated with McGeorge School of Law due process contract	\$2,013,390
Outside contractor: administer Family Empowerment Centers proposals(SB 511)	25,000
Special Education: \$1.995 million in federal carryover funds for critical one-time activities; \$4,681,000 (of additional \$19.3 million federal funds not proposed in the Governor’s Jan 10, budget) for one-time and ongoing state operations activities and grants to LEAs.	6,676,000
Vocational Education - \$330,000 for CDE administration; \$163,000 for CA Community Colleges Chancellor’s Office (CCCCO) administration.	330,000
Child Development Data Collection	163,000
Child Development Audit Resources	3,684,000
	397,000

#### **IV. March 29<sup>th</sup> Finance Letter—Education**

- A. Remedial Supplemental Instruction Programs (Issue 405) Items 6110-104-0001, 6110-204-0001, and 6110-205-0001.** In its March 29<sup>th</sup> Finance Letter, the Administration proposes to amend provisional language in the Remedial Supplemental Instruction, 7<sup>th</sup> and 8<sup>th</sup> Grade Math Academies and Elementary Schools Intensive Reading programs, as shown below to: (1) clarify that the authority granted by provisional language to transfer funds within the program schedule is in lieu of similar authority granted by Section 26.00, and (2) stipulate that any transfers shall be allowable only for the purpose of providing additional instructional hours. According to the DOF, these technical changes will allow SDE to more effectively administer the program, apportion funds, and address deficiency demands in a timely manner, as intended.

Item 6110-104-0001

“3. Notwithstanding Section 26 of this act, or any other provision of law, the Director of Finance may, transfer funding between schedules, to prevent deficiencies for instructional hours in any of the programs funded by the appropriation in this item; ~~use the authority granted by Section 26.00 of this act to transfer funding between schedules of this item.~~ The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision.”

“5. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

Item 6110-204-0001

“3. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

Item 6110-205-0001

“2. Notwithstanding any other provision of law, the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items.”

***Subcommittee #1 Action:***

- B. Migrant Education Program (Issue 406) Item : 6110-141-0890.** In its March 29<sup>th</sup> Finance Letter, the Administration proposes that Provision 1 of this Item be amended to provide administrative flexibility for redirecting any unexpended federal Mini-Corps funds in excess of \$6 million to local Migrant Education grants. The Mini-Corps program has not fully spent its prior allocations and it is estimated that current year expenditures will be approximately \$6 million.

“1. Of the funds appropriated in this item, the State Department of Education shall use no less than \$6,000,000 and up to \$7,100,000 is for the California Mini-Corps Program.”

***Subcommittee #1 Action:***



## **V. California School Information Services (CSIS)**

### **A. Governor's Budget Proposal.**

1. **Local Assistance.** The Governor's budget proposes \$11.0 million from audit recovery funds to FCMAT for CSIS implementation grants to local education agencies (LEAs). To the extent that audit recovery funds are not available, the \$11.0 million is proposed to be backfilled with one-time, prior year Proposition 98 Reversion Account funds. (The Administration proposes to revert \$2.58 million of unexpended funds from the \$11.6 million provided for implementation grants in 2001-02. FCMAT will be unable to use these funds because a school district started, but pulled out of the implementation process before contracting with FCMAT; and not enough quality applications were received to effectively use the entire amount of funding). **(Action Items: See D and E below)**
2. **Support (FCMAT).** The Governor's budget proposes \$4.5 million from one-time, prior year Proposition 98 Reversion Account funds for support of FCMAT's CSIS operation costs. An additional \$250,000 is proposed to fund FCMAT project management services for CSIS. Both these amounts are the same as that provided for these purposes in 2001-02. **(Action Items: See D below).**
3. **Support (CDE).** The Governor's budget proposes \$650,000 to support CDE's CSIS-related workload; \$175,000, contingent on the findings of the DOF data management study, the release of which is imminent, for comparability studies associated with the third set of CSIS data collections; and \$150,000 to continue to contract for independent project oversight, including quarterly reports to the Administration and the Legislature. **(Action Item See G, below)**

**B. Background.** CSIS is a multiyear project to develop, implement, and manage a statewide student-level database and information-transfer network. . CSIS is not intended to maintain or store the student data for LEAs, but is to facilitate the movement of this data from district to district, and aggregate the school district data required for state reporting. CSIS is administered by the Kern County Office of Education's Fiscal Crisis and Management Team (FCMAT) which, under a contract with the state, provides fiscal advice, management assistance, and training to school districts. The CDE is the state's responsible agent for administering the local assistance grants to FCMAT and advises FCMAT on the student level database. The CDE also has a direct role in CSIS implementation by supporting the transition of state data reporting to electronic submission The CSIS program was authorized in the 1997-98 Budget Act and established in the Education Code (§49080) by Chapter 78, Statutes of 1999, (AB 1115, Strom-Martin), an education budget trailer bill.

The goals of CSIS are threefold:

1. To build local capacity to maintain and use student information systems to facilitate informed educational decision making.
2. To enable school districts and school sites to electronically transfer (a) student records (i.e., transcripts, test scores, health records) to any other district or school in the state and (b) student transcripts to institutions of higher education.
3. To simplify and increase the accuracy of district data reported to the state.

- C. CSIS Implementation Update:** California School Information Services is in the third year of a multiyear implementation plan. As of January of 2002, 12 consortia consisting of 216 local education agencies (LEAs) were participating in CSIS. These LEAs represent over 1.8 million students, or approximately 30 percent of state enrollment. LEA participation in CSIS is voluntary; thus avoiding the risk of state mandate costs, and incentive-driven, largely based on implementation grants covering about 50 percent of implementation costs and, also, the potential benefits to be derived from a student-level data base, (now necessary under the new requirement of the federal No Child Left Behind Act of 2001 for a longitudinal student data for English language learners, high school graduation rates and possibly, assessment data—depending on the federal regulations defining adequate yearly progress (AYP)).

The following is provided by CSIS to illustrate current CSIS implementation efforts:

California School Information Services (CSIS) LEA Implementation Status								
Planning:	The first year during which the LEA new to CSIS participation makes changes in its local Student information system and administrative procedures necessary to conduct electronic state reporting and records transfer activities through the CSIS system.							
Paralleling:	The second or later year of CSIS participation in which the LEA demonstrates the accuracy and reliability of CSIS electronic information exchange by submitting CSIS records in parallel with CDE state reports and paper transcripts to be replaced in order to establish comparability between "old" and "new" systems.							
Production:	LEAs that have successfully demonstrated comparability and have been certified to submit only CSIS records.							
Level/Year	FY 99-00		FY 00-01		FY 01-02		FY 02-03 Projected	
	LEAs	Student Enrollment	LEAs	Student Enrollment	LEAs	Student Enrollment	LEAs	Student Enrollment
Planning	63	589,000	56	539,700	102	746,115	103	1,478,303
Paralleling*			63	589,000	71	778,949	106	789,761
Production*					43	339,827	110	1,075,130
Total LEAs/Student Enrollment	<u>63</u>	<u>589,000</u>	<u>119</u>	<u>1,128,700</u>	<u>216</u>	<u>1,864,891</u>	<u>319</u>	<u>3,343,194</u>
* Currently, paralleling and production activities are limited to transitioning of the CDE California Basic Education Data System (CBEDS)								

- D. CSIS Full Implementation / Completion Date Issue.** Since its inception four years ago, there has been much discussion relative to the intended completion date for CSIS; i.e. when close to 100 percent of school districts would be participating and on track to be certified to electronically submit student data. FCMAT has developed a funding formula, including a separate one for small districts, to estimate the costs to fund grants for the remaining school districts still not participating. School districts, other than small districts, would receive one time implementation funding of \$8.51 per student, plus \$2,500 per school site, plus a COLA. The level of CSIS funding provided by the annual Budget Act could, therefore, ultimately determine, **at least to the extent districts are technically able and desirous of participating**, the rate at which CSIS is fully implemented.

Last fall the Legislature passed, but the Governor vetoed, AB 295 (Strom-Martin), which, among other things required CSIS to be fully operational in 90 percent of LEAs by 2004-05. Prior to the 2001 Budget Act appropriation, Legislative intent and funding for CSIS appeared on track for CSIS to be completed by that year as the program ramped up to accommodate the participation of an increasing number of LEAs.

Budget Act funding in 2001-02 did not keep pace. According to the LAO, if the Legislature chose to continue appropriated around \$11 million annually for LEA implementation grants, the FCMAT would not be able to provide grants to all LEAs until 2007-08. Since implementation takes 2 years, all LEAs would not be fully CSIS operational until 2009-10.

<b>CSIS Funds</b> <i>(in millions)</i>	<b>2000-01</b>		<b>2001-02</b>		<b>2002-03</b>	
	CSIS Requested	Received/ Budget Act	CSIS Requested	Received / Budget Act	CSIS Requested	Proposed 2002-03
<b>CSIS Program Office</b>	4.2*	4.2	4.6	4.5	5.7	4.5
<b>LEA Implementation</b>	12.5	6.09	20.5	11.6	14.0	11.0
<b>Project Management</b>	<.250>	<.250>	.250	<.500>	.250	.250
<b>Total</b>	16.7*	10.2**	25.1	16.3	19.7	15.75
* Completion 6/30/04						
**Completion 6/30/05						
<>Included in CSIS Program Office number						

The LAO recommends, therefore, that the Legislature align the funding level provided in the budget with the timeline in which the Legislature wants CSIS operational. The LAO further recommends that the Legislature adopt budget bill language stating the intended completion date for CSIS thus providing the Legislature flexibility to modify from year to year the completion timeline for the project, but signal its intent and track the progress toward its goals from year to year.

***Subcommittee #1 Action:***

- E. CSIS Nonparticipant School Districts—Needs Assessment.** One of the issues in attaining full implementation Of CSIS is the level of preparation necessary, i.e. the ability, of schools to participate. Common problems among those districts not participating are: 1. Not understanding the changes CSIS would require, 2. Poor quality of data in their existing student information system, and inadequately trained staff, antiquated hardware, data stored on multiple information systems and insufficient data security.

According to the LAO, external assistance in preparing school districts assess their data information needs and develop a plan to prepare for CSIS implementation would help ensure a timely statewide implementation of CSIS. The LAO sees this role best filled by FCMAT which has the experience to develop a set of professional standards to assess CSIS readiness, and help prepare district for participation in CSIS.

As noted above, the Governor's budget proposes to revert \$2.6 million from the funding provided in 2001-02 for CSIS LEA implementation grants. The LAO suggests that any future excess LEA implementation funds be used to help LEAs who request such assistance, prepare for future integration into CSIS. The LAO further suggests that FCMAT conduct such a readiness assessment. FCMAT generally knows by November of the budget year in which the funds were appropriated, whether it will be able to use all of the implementation grant funds for that year.

The LAO recommends that the Legislature adopt budget bill language to allow FCMAT to use up to \$2.0 million of its appropriation to conduct a CSIS compatibility and needs assessment for LEAs, if FCMAT determines that it will be unable to expend all of the funding appropriated for CSIS implementation grants. The LAO suggests that Item 6110-485, Provision 7, of the budget bill be amended to read:

(7) \$11,000,000 to the State Department of Education for the purpose of finding the fiscal Crisis and Management Assistance Team's (FCMAT) implementation of the local California School Information Services (CSIS) Project. The first priority for use of the funding shall be to fund CSIS local implementation grants. To the extent that FCMAT determines that not enough quality local implementation grant proposals have been submitted, FCMAT may use up to \$2 million of the appropriation to provide CSIS readiness assistance services to local education agencies.

***Subcommittee #1 Action:***

- F. CSIS Mission Clarification.** Since the inception of CSIS the state's data needs and data requirements have evolved. For example, the newly reauthorized Elementary and Secondary Education Act (ESEA), better known as the "No Child Left Behind" (NCLB) Act of 2001, has ostensibly altered states' data requirements to include the collection of student level longitudinal data for English language learners, high school graduation rates, and possibly, depending on the final federal regulations not yet published, student assessment data as it relates to "adequate yearly progress" (AYP).

The Legislature will soon receive the results of two data studies, 1). by the OSE to determine how data on graduation rates, student and teacher attendance rates and other potential academic indicators, should be collected by the state to support the API, and 2). A data management study by the DOF on the data management practices at CDE. The Report is to address potential efficiencies and improvements in the CDE's data collection and management.

The findings of either or both studies may suggest a greater, lesser or different role for CSIS in supporting CDE data collection. According to the LAO, of the three prior mentioned goals of CSIS, the goal of supporting submission of state reporting may need more clarification after the findings of both studies are released.

Among the issues on how CSIS should support state and federal reporting requirements, the LAO recommends the Legislature clarify whether CSIS should:

- Support the data collection necessary to calculate the Academic Performance Index (API)
- Provide the state access to individual student information
- Transmit state data collections and which ones.

**The LAO recommends that the Legislature amend statute to clarify the CSIS mission specifically with regard to its role in supporting the API calculation, providing the Legislature and state agencies with individual student information and supporting state and federal data collections.**

***Subcommittee #1 Action:***

- G. CDE Implementation of CSIS.** The Governor's budget proposes \$650,000 to CDE to continue transitioning to electronic submission of state and federal reporting requirements via CSIS, and an additional \$175,000 contingent on the finding of the DOF data management study.

The CDE has, in a letter to the DOF, requested that the May Revise include an additional \$118,000 for a CSIS Administrator I position in response to recommendations made in the most recent independent project oversight report to separate CSIS and Education Graphics, and the increasing Administrator time demands of CSIS implementation. The CDE has also requested \$63,000 for the reauthorization of a CSIS limited term position.

According to the latest Quarterly Independent Project Oversight Report, CDE was advised to investigate ways to bring more staff to the CSIS Data Integration Project because the current staff assigned to CSIS remains too small for its work..." (See **H. Independent Project Oversight**, # 6 below).

***Subcommittee #1 Action:***

- H. Independent Project Oversight.** The Governor's budget also proposes \$150,000 to continue to contract for independent project oversight, including quarterly reports to the Administration and the Legislature. CDE has contracted with Northrop Grumman Information Technology (formerly Logicon) to provide independent project oversight of the CSIS program. The objectives of this oversight are to ensure that the CSIS program is:

- Well structured and well managed
- Utilizing project management practices that conform to accepted industry standards
- Compliant with legal and legislative requirements
- Identifying and mitigating project risks
- Progressing in accordance with project management plans
- Achieving defined success factors and expected objectives.

**The most recent Quarterly Independent Project Oversight Report, dated March 22, 2002, found that :**

1. CSIS missed its published milestone dates for Fall Submission 2001. The quality of the State Reporting and Record Transfer System (SRRTS) software was not sufficient to meet production demands. While being addressed, these production problems have the effect of delaying submission of CSIS data by LEAs , delaying CSIS validation an aggregation of the data, and delaying transmission of the CSIS State Reporting data to CDE.

2. The major cause of the above problems and delays is an overly aggressive schedule with insufficient time allowed for system integration, testing and both system and business process problem resolution.
3. CSIS is not progressing according to the original plan, as documented in the CSIS Program Charter and the CSIS Strategic Plan. These documents have not been updated since mid 2000 and need to be updated with respect to project scope, expected cost and schedule to more accurately reflect current plans and expectations.
4. CSIS and CDE need to work out more effective coordination of efforts and to re-chart the priority, effort and a realistic schedule to transition other data collections to CSIS.
5. While CSIS staff has grown, it is still small relative to the size and complexity of the CSIS SRRTS software and the number of current and potential participants in the program... **The consultant, therefore, recommends that CSIS more thoroughly assess the resources required to support development and production of CSIS.**
6. CDE Staff remains too small for its work in both analyzing and specifying data collections to transition to CSIS and to preparing to receive and use CSIS data for programs. **The consultant, therefore, recommends the CDE investigate ways to bring more staff to the CSIS Data Integration Project.**

***Subcommittee #1 Action:***

## **VI. Hold Over Items**

- A. Adult Education: CalWORKS Recipient Services (6110-156-0001).** The Governor's Budget proposes a \$36.0 million reduction from Item 6110-156-0001 (K-12 Adult Education) to reflect a deletion of funds allocated for services to CalWORKs recipients. Of the \$36.0 million proposed reduction, \$26.0 million is an elimination of adult education and ROCP education services for CalWORKs recipients, \$10.0 million from remedial and job training support services for CalWORKs recipients through an interagency agreement with the Department of Social Services. According to the DOF, these funds are in excess of the maintenance of effort (MOE) monies required as a condition of the state's receipt of federal Temporary Aid for Needy Families (TANF) grant funds. It should be noted that the Administration views the CalWORKs MOE funding level as a funding "ceiling" for purposes of the state funding. The "excess" funds have been used primarily to allow Adult Education and Regional Occupational Centers and Programs (ROCPs) to claim funds above their average daily attendance cap if they used the additional funds to provide instruction to CalWORKs recipients. The DOF asserts that these funds are no longer necessary to ensure that the state meets its MOE requirement for its federal TANF grant and that CalWORKs recipients can still access adult education and ROCP programs or other CalWORKs employment or training services and funds through the counties. According to the DOF approximately \$15 million of the \$36.0 million was not spent on MOE activities but could only be spent on "overcap" services.

While K-12 ROCP and adult education programs are not required to serve CalWORKs recipients, i.e.: CalWORKs recipients must compete for these services if there is excess demand, counties can contract with providers if these programs are seen as a county priority. However, in this time of shrinking revenues, funding these programs may come at the expense of other county priorities. According to the

CDE, approximately 71,000 CalWORKS recipients are served by the CDE adult education program; 28,000 of these receive “overcap” services funded through the \$26.0 million allocation proposed to be eliminated in this Item. The CDE further states that a 10 to 20 percent increase in adult education ADA is anticipated in the current year attributable to an increase in CalWORKs clients being served by CDE.

Since the Subcommittee first heard this issue on April 3<sup>rd</sup>, \$41.0 million in unallocated funds from fiscal year 2000-01 have been identified to offset the Governor’s proposed \$36.0 million reduction in General Fund for CalWORKs purposes. Of these funds, \$28.0 million is unexpended adult education base revenue limit funds and \$13.0 million is unexpended adult education CalWORKs funds. (\$9.9 million in separate TANF funds is still available in the Governor’s proposed budget for adult education and ROCP).

The Subcommittee should also be aware that SB 192 (Karnette) may provide a solution to the “overcap” issue by modifying individual 2.5 percent annual growth caps on adult education programs operated by K-12 districts so that unused units of attendance could be reallocated on a one-time basis and in equal amounts per unit of ADA to districts that were fully utilizing their allowances. The Administration has, in the past, been of the belief Superintendent of Public Instruction (SPI) already had the authority to reallocate unused units of adult education ADA. However, a Legislative Counsel Opinion submitted in July, 2001, opined that the SPI did not have such authority.

In order to address the budget year funding issue, pending enactment of SB 192 or similar Trailer Bill legislation, staff recommends that:

- \$13.0 million of the \$28.0 million in the 2000-01 unexpended funds be reappropriated for adult education / ROCP education services in the budget year.
- \$10.0 million of the \$13.0 million in 2000-01 unexpended funds be reappropriated for the purposes of funding CDE CalWORKs support services in the budget year.
- \$18.0 million, representing the remaining unexpended 2000-01 adult education base revenue limit and CalWORKs funds, be re-appropriated for other one-time educational priorities in the budget year.
- Defer the Maintenance of Effort (MOE) issue relative to CalWORKs funds to Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs .

***Subcommittee #1 Action:***

## **VII. Consent Calendar**

Staff recommends that the following Items be approved as budgeted. No issues have been raised with regard to any of these Items:

- 6110-001-0001 **Finance Letter**, Healthy Kids Resource Center (Issue 350), \$144,000.
- 6110-021-0001 **Finance Letter**, Healthy Kids Resource Center (Issue 350), -\$144,000.
- 6110-001-0001 **Finance Letter**, Extend Two Digital High School Limited Term Positions for one year. (Issue 451) (position authority).
- 6110-001-0001 **Finance Letter**, Extend for 1 year, Three Limited Term Positions for the federal School-to-Work Program (Issue 501), (increase EDD reimbursements), \$324,000.
- 6110-001-0001 **Finance Letter**, Restoration of CSIS Position inadvertently deleted. (Issue 250).
- 6110-001-0001 **Finance Letter**, Statewide Cost Allocation Plan (Issue 400). Amend to reflect increased Statewide Cost Allocation Plan recoveries.
- 6110-001-0890 **Finance Letter** (Issue 400—continued) Increase by \$1,200,000 to reflect increased Statewide Cost Allocation Plan recoveries.
- 6110-001-0890 **Finance Letter**, Alternative Accountability System (Issue 200), \$1,272,000 and amend Item 6110-001-0001 to pay for the second year of activities associated with developing and Implementing the Alternative Accountability System.
- 6110-001-0890 **Finance Letter**, Assessment Evaluations. (Issue 201). Reduce Item by \$3,300,000 and amend Item 6110-001-0001 to reflect the elimination of appropriation authority provided for conducting an evaluation of the Golden State Exams and for activities associated with ensuring that the HSEE and STAR exams are aligned with State-adopted content standards. (technical error-one time 2001-02 funds were inadvertently duplicated in 2002-03 Budget).
- 6110-001-0975 Library and Learning Services, payable from the California Public School Library Protection Fund, \$15,000
- 6110-013-0001 Audit Resources, 245,000.
- 6110-202-0890 **Finance Letter** New School Renovation and Repair Program (Issue 100). Add Item to allow for the distribution of up to \$138,524,000 in federal School Renovations and Repair Program funding that was received in 2001-02 but has not been expended by CDE. [1760-001-0666 Issue (10) requests that \$136,000 in reimbursements from Item 6110-202-0890 be scheduled in this General Services Item, and that two, two-year limited term positions be approved for workload and program management at the Office of Public school Construction associated with the new federal School Renovation and Repair Program for school facilities].
- 6110-295-0001 **Finance Letter**, (Issue 202) Increase Item to restore funding for the Open Meetings Act Mandate, \$3,412,000.